



Financial Statements
December 31, 2022

City of Valley City, North Dakota

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City of Valley City, North Dakota
Elected and Appointed Officials (Unaudited)
December 31, 2022

<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Dave Carlsrud	President of City Commission	6/30/2026
Jeff Erickson	City Commissioner	6/30/2026
Duane Magnuson	City Commissioner	6/30/2026
Dick Gulmon	City Commissioner	6/30/2024
Mike Bishop	City Commissioner	6/30/2024
<u>Administration</u>		
Gwen Crawford	City Administrator	
Avis Richter	Finance Director	
Gary Jacobson	Accountant/Office Manager	



Independent Auditor's Report

The Board of City Commissioners
City of Valley City, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Valley City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of an Error

As discussed in Note 13 to the financial statements, the City of Valley City has reclassified the Reserve for Large Capital Projects department from a governmental fund (General Fund) to a proprietary fund (Electric Fund) of the City as of January 1, 2022. Accordingly, a restatement has been made to the General Fund fund balance and the Electric Fund, Business-Type Activities, and Governmental Activities net position as of January 1, 2022, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 10 to the financial statements, the City of Valley City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. Accordingly, a restatement has been made to the governmental activities, business-type activities, Electric and Garbage fund net position as of January 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Valley City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Valley City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Valley City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions and Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Management has omitted budgetary comparison schedules for the Emergency special revenue fund that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley City's basic financial statements. The Combining schedules of the General Fund, By Department, Nonmajor Governmental Funds, Nonmajor Special Revenue Funds, Nonmajor Capital Projects Funds, General Operations Department, and Electric Fund Department are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining schedules of the General Fund, By Department, Nonmajor Governmental Funds, Nonmajor Special Revenue Funds, Nonmajor Capital Projects Funds, General Operations Department, and Electric Fund Department are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of elected and appointed officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the City of Valley City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Valley City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valley City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
October 2, 2023

City of Valley City, North Dakota
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,413,144	\$ 6,006,009	\$ 15,419,153
Restricted cash	706,065	199,787	905,852
Receivables			
Accounts	116,232	764,363	880,595
Unbilled revenues	13,735	493,463	507,198
Interest	-	3,412	3,412
Property taxes	17,510	-	17,510
Special assessments	7,293,334	-	7,293,334
Due from other governmental units	2,562,963	-	2,562,963
Leases	-	37,027	37,027
Prepaid items	2,342	28,731	31,073
Inventories	-	1,546,006	1,546,006
Unearned debits	-	3,642	3,642
Capital assets			
Land	173,800	424,693	598,493
Construction in progress	46,504,694	1,294,527	47,799,221
Infrastructure	52,357,407	-	52,357,407
Buildings and improvements	2,981,106	25,662,959	28,644,065
Machinery and equipment	1,661,997	11,389,734	13,051,731
Vehicles	4,666,102	-	4,666,102
Mains and lines	-	45,887,338	45,887,338
Right of use leased assets	168,161	23,399	191,560
Less accumulated depreciation/amortization	(17,557,888)	(46,441,219)	(63,999,107)
Total assets	111,080,704	47,323,871	158,404,575
Deferred Outflows of Resources			
Other postemployment benefits	69,079	-	69,079
Pension plans	1,986,304	-	1,986,304
Total deferred outflows of resources	2,055,383	-	2,055,383
Liabilities			
Accounts payable	697,139	680,767	1,377,906
Accrued interest payable	114,383	2,843	117,226
Customer deposits	-	66,337	66,337
Other liabilities	44,460	700,782	745,242
Unearned revenue	3,534,722	-	3,534,722
Long-term liabilities			
Due within one year other than OPEB and pensions	2,008,426	513,903	2,522,329
Due in more than one year other than OPEB and pensions	16,544,782	769,880	17,314,662
Due in more than one year - other postemployment benefits	88,175	-	88,175
Due in more than one year - net pension liability	1,568,446	-	1,568,446
Total liabilities	24,600,533	2,734,512	27,335,045
Deferred Inflows of Resources			
Other postemployment benefits	758	-	758
Pension plans	747,129	-	747,129
Lease related	-	36,849	36,849
Total deferred inflows of resources	747,887	36,849	784,736
Net Position			
Net investment in capital assets	72,690,839	37,344,744	110,035,583
Restricted	15,843,016	133,450	15,976,466
Unrestricted	(746,188)	7,074,316	6,328,128
Total net position	\$ 87,787,667	\$ 44,552,510	\$ 132,340,177

City of Valley City, North Dakota
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,766,161	\$ 792,898	\$ -	\$ 413,684	\$ (559,579)	\$ -	\$ (559,579)
Public safety	4,249,947	111,845	50,200	92,355	(3,995,547)	-	(3,995,547)
Public works	4,382,668	2,476,965	-	3,475,005	1,569,302	-	1,569,302
Culture and recreation	255,808	-	-	-	(255,808)	-	(255,808)
Economic development	413,689	-	-	-	(413,689)	-	(413,689)
Interest on long-term debt	399,376	-	-	-	(399,376)	-	(399,376)
Total governmental activities	<u>11,467,649</u>	<u>3,381,708</u>	<u>50,200</u>	<u>3,981,044</u>	<u>(4,054,697)</u>	<u>-</u>	<u>(4,054,697)</u>
Business-type activities							
Electric	6,089,769	7,932,220	-	-	-	1,842,451	1,842,451
Water	2,690,874	1,573,543	-	562,952	-	(554,379)	(554,379)
Sewer	693,594	775,610	-	487,639	-	569,655	569,655
Garbage	1,248,496	1,231,344	-	-	-	(17,152)	(17,152)
Total business-type activities	<u>10,722,733</u>	<u>11,512,717</u>	<u>-</u>	<u>1,050,591</u>	<u>-</u>	<u>1,840,575</u>	<u>1,840,575</u>
Total Government	<u>\$ 22,190,382</u>	<u>\$ 14,894,425</u>	<u>\$ 50,200</u>	<u>\$ 5,031,635</u>	<u>(4,054,697)</u>	<u>1,840,575</u>	<u>(2,214,122)</u>
General revenues							
Sales and use tax					2,977,987	-	2,977,987
Property taxes					1,814,846	-	1,814,846
State aid					993,150	-	993,150
Unrestricted investment earnings					69,842	43,795	113,637
Miscellaneous					302,094	84,525	386,619
Transfers					1,517,254	(1,517,254)	-
Total general revenue and transfers					<u>7,675,173</u>	<u>(1,388,934)</u>	<u>6,286,239</u>
Change in net position					3,620,476	451,641	4,072,117
Net position - beginning, as restated, Note 13					<u>84,167,191</u>	<u>44,100,869</u>	<u>128,268,060</u>
Net position - ending					<u>\$ 87,787,667</u>	<u>\$ 44,552,510</u>	<u>\$ 132,340,177</u>

City of Valley City, North Dakota
Governmental Funds
Balance Sheet
December 31, 2022

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	\$ 2,115,756	\$ -	\$ -	\$ -	\$ -	\$ 2,766,032	\$ 2,886,030	\$ 1,645,326	\$ 9,413,144
Restricted cash	-	-	-	-	-	-	706,065	-	706,065
Due from other funds	321,698	-	-	3,144,362	-	-	5	-	3,466,065
Receivables									
Accounts	90,424	-	-	18,612	-	-	-	7,196	116,232
Property taxes receivable - delinquent	-	-	-	-	-	-	-	2,242	2,242
Unbilled revenues	-	-	-	13,735	-	-	-	-	13,735
Property taxes	15,268	-	-	-	-	-	-	-	15,268
Special assessments									
Current	65,823	-	-	-	-	-	700,497	375	766,695
Delinquent	3,252	-	-	-	-	-	21,820	-	25,072
Deferred	388,402	-	-	-	-	-	6,112,790	375	6,501,567
Due from other governmental units	374,555	492,303	11,358	198,888	1,175,338	-	-	310,521	2,562,963
Prepaid items	2,342	-	-	-	-	-	-	-	2,342
Total assets	\$ 3,377,520	\$ 492,303	\$ 11,358	\$ 3,375,597	\$ 1,175,338	\$ 2,766,032	\$ 10,427,207	\$ 1,966,035	\$ 23,591,390
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 131,505	\$ 76,674	\$ 348,385	\$ -	\$ -	\$ -	\$ -	\$ 140,575	\$ 697,139
Due to other funds	-	458,050	1,474,396	-	1,164,491	-	5	369,123	3,466,065
Unearned revenue	1,034,722	-	-	-	-	2,500,000	-	-	3,534,722
Other liabilities	44,460	-	-	-	-	-	-	-	44,460
Total liabilities	1,210,687	534,724	1,822,781	-	1,164,491	2,500,000	5	509,698	7,742,386
Deferred Inflows of Resources									
Unavailable revenue-property taxes	15,268	-	-	-	-	-	-	2,242	17,510
Unavailable revenue-special assessments	457,477	-	-	-	-	-	6,835,108	750	7,293,335
Unavailable revenue-intergovernmental aid	308,118	-	-	-	1,175,338	-	-	-	1,483,456
Total deferred inflows of resources	780,863	-	-	-	1,175,338	-	6,835,108	2,992	8,794,301
Fund Balance (Deficit)									
Nonspendable									
Prepaid items	2,342	-	-	-	-	-	-	-	2,342
Restricted for									
Debt service	-	-	-	-	-	-	3,592,094	-	3,592,094
Community development	-	-	-	-	-	266,032	-	1,774,185	2,040,217
Infrastructure	-	-	-	3,375,597	-	-	-	-	3,375,597
Unassigned	1,383,628	(42,421)	(1,811,423)	-	(1,164,491)	-	-	(320,840)	(1,955,547)
Total fund balance (deficit)	1,385,970	(42,421)	(1,811,423)	3,375,597	(1,164,491)	266,032	3,592,094	1,453,345	7,054,703
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 3,377,520	\$ 492,303	\$ 11,358	\$ 3,375,597	\$ 1,175,338	\$ 2,766,032	\$ 10,427,207	\$ 1,966,035	\$ 23,591,390

City of Valley City, North Dakota
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
December 31, 2022

Total Fund Balances – Governmental Funds	\$ 7,054,703
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	90,955,379
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.	8,794,301
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	1,307,496
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period these amounts are:	
Special assessment bonds	(8,246,103)
Sales tax revenue bonds	(6,879,814)
PFA loans	(1,872,942)
Lease liability	(109,783)
Financed purchases	(667,628)
Direct borrowing	(488,270)
Compensated absences	(288,668)
Other postemployment benefits	(88,175)
Net pension liability	(1,568,446)
Accrued interest	(114,383)
	<hr/>
Total net position – governmental activities	<u><u>\$ 87,787,667</u></u>

City of Valley City, North Dakota

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2022

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues									
General property taxes	\$ 1,215,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,742	\$ 177,787	\$ 1,669,029
Special assessments	112,526	-	16,666	-	-	-	1,276,486	-	1,405,678
Franchise fees	61,466	-	-	425,156	-	-	-	-	486,622
Licenses and permits	50,700	-	-	-	-	-	-	-	50,700
Intergovernmental	1,147,322	894,523	405,190	-	11,722	-	36,230	115,216	2,610,203
Fines and forfeitures	75,564	-	-	-	-	-	-	-	75,564
Sales tax	-	-	-	1,083,094	-	-	-	1,659,231	2,742,325
Miscellaneous	416,061	-	-	-	-	-	265,662	25,248	706,971
Total revenues	3,079,139	894,523	421,856	1,508,250	11,722	-	1,854,120	1,977,482	9,747,092
Expenditures									
Current									
General government	1,214,218	-	-	-	-	-	-	-	1,214,218
Public safety	1,850,631	-	-	-	1,244,289	-	-	-	3,094,920
Public works	1,442,315	-	-	-	-	-	-	-	1,442,315
General government - other	36,222	-	-	-	-	-	-	383,694	419,916
Culture and recreation	184,739	-	-	-	-	-	-	157,561	342,300
Community development	-	-	-	-	-	-	-	487,604	487,604
Permanent flood protection	-	254,613	-	-	-	-	-	-	254,613
Miscellaneous	154,767	-	-	-	-	-	-	118,269	273,036
Capital outlay	775,486	795,826	1,837,067	198,173	-	-	-	939,901	4,546,453
Debt service									
Principal	103,097	-	-	-	-	-	1,631,231	-	1,734,328
Interest and fees	23,498	-	-	-	-	-	379,138	-	402,636
Total expenditures	5,784,973	1,050,439	1,837,067	198,173	1,244,289	-	2,010,369	2,087,029	14,212,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,705,834)	(155,916)	(1,415,211)	1,310,077	(1,232,567)	-	(156,249)	(109,547)	(4,465,247)
Other Financing Sources (Uses)									
Debt proceeds	500,000	-	1,400,982	-	-	-	-	500,000	2,400,982
Transfers in	1,754,554	-	145,516	-	-	16,032	557,525	21,996	2,495,623
Transfers out	(42,157)	-	-	(206,641)	-	-	(89,509)	(640,062)	(978,369)
Total other financing sources (uses)	2,212,397	-	1,546,498	(206,641)	-	16,032	468,016	(118,066)	3,918,236
Net Change in Fund Balance	(493,437)	(155,916)	131,287	1,103,436	(1,232,567)	16,032	311,767	(227,613)	(547,011)
Fund Balance (Deficit), Beginning, as restated, Note 13	1,879,407	113,495	(1,942,710)	2,272,161	68,076	250,000	3,280,327	1,680,958	7,601,714
Fund Balance (Deficit), Ending	\$ 1,385,970	\$ (42,421)	\$ (1,811,423)	\$ 3,375,597	\$ (1,164,491)	\$ 266,032	\$ 3,592,094	\$ 1,453,345	\$ 7,054,703

City of Valley City, North Dakota

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ (547,011)
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Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities the cost of capital assets
is allocated over their estimated useful lives as depreciation/amortization
expense. In the current period these amounts are:

Capital outlay	4,226,781
Contribution of capital assets to proprietary fund	(1,050,591)
Depreciation/amortization expense	(1,788,752)

The contribution of capital assets by other governments is not a
current financial resource and is therefore not reported within
the governmental funds

2,416,447

The net effect of the disposal of capital assets is to decrease net position

(7,148)

Revenues in the statement of activities that do not provide current financial
resources are deferred and not reported as revenues in the funds

1,414,478

In the statement of activities compensated absences are
measured by the amounts earned during the year. In the
governmental funds, however, expenditures for these items
are measured by the amount of financial resources used

(31,211)

Interest payable is reported in the government wide statement
of net position but is not recorded in the governmental funds

3,262

In the statement of activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense. In the governmental
funds, however, the contributions are reported as an expense.

(329,271)

In the statement of activities, OPEB liabilities are measured by the amounts earned
during the year. In the governmental funds, however, expenditures for these
items are measured by the amount of financial resources used.

(19,854)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds
Neither transaction, however, has any effect on net position. In
the current period these amounts are:

Debt issued	(2,400,982)
Financed purchase retirement	44,719
Lease liability retirement	58,378
Loan principal retirement	105,730
Bond principal retirement	1,525,501

Change in Net Position of Governmental Activities

\$ 3,620,476

City of Valley City, North Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,299,698	\$ 1,215,500	\$ (84,198)
Special assessments	118,000	112,526	(5,474)
Franchise fees	60,000	61,466	1,466
Licenses and permits	43,600	50,700	7,100
Intergovernmental	552,402	1,147,322	594,920
Fines and forfeitures	93,000	75,564	(17,436)
Miscellaneous	311,800	416,061	104,261
Total revenues	2,478,500	3,079,139	600,639
Expenditures			
Current			
General government	1,260,327	1,214,218	46,109
Public safety	1,861,531	1,850,631	10,900
Public works	1,018,073	1,442,315	(424,242)
General government - other	97,492	36,222	61,270
Culture and recreation	38,300	184,739	(146,439)
Miscellaneous	-	154,767	(154,767)
Capital outlay	398,997	775,486	(376,489)
Debt Service			
Principal	-	103,097	(103,097)
Interest and Fees	-	23,498	(23,498)
Total expenditures	4,674,720	5,784,973	(1,110,253)
Deficiency of Revenues Under Expenditures	(2,196,220)	(2,705,834)	(509,614)
Other Financing Sources (Uses)			
Debt proceeds	-	500,000	500,000
Transfers in	1,940,550	1,754,554	(185,996)
Transfers out	(431,950)	(42,157)	389,793
Total other financing sources and uses	1,508,600	2,212,397	703,797
Net Change in Fund Balance	\$ (687,620)	(493,437)	\$ 194,183
Fund Balance, Beginning, as restated, Note 13		1,879,407	
Fund Balance, Ending		\$ 1,385,970	

City of Valley City, North Dakota
Proprietary Funds
Statement of Net Position
December 31, 2022

	Electric	Water	Sewer	Garbage	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,984,114	\$ 164,571	\$ 1,701,602	\$ 155,722	\$ 6,006,009
Accounts receivable - net					
Accounts	548,058	75,497	46,634	94,174	764,363
Accrued interest	3,389	19	4	-	3,412
Unbilled revenues	352,258	60,652	36,270	44,283	493,463
Leases	-	-	-	37,027	37,027
Inventories	1,403,132	142,638	-	236	1,546,006
Prepaid items	28,731	-	-	-	28,731
Total current assets	6,319,682	443,377	1,784,510	331,442	8,879,011
Capital assets					
Land	114,385	147,572	113,242	49,494	424,693
Construction in progress	1,178,033	66,673	49,821	-	1,294,527
Buildings and improvements	590,795	24,166,055	208,988	697,121	25,662,959
Machinery and equipment	5,279,502	3,034,882	1,043,794	2,031,556	11,389,734
Mains and lines	13,982,157	15,577,917	16,327,264	-	45,887,338
Right of use leased assets	23,399	-	-	-	23,399
Less accumulated depreciation/amortization	(16,244,902)	(20,051,949)	(8,356,823)	(1,787,545)	(46,441,219)
Net capital assets	4,923,369	22,941,150	9,386,286	990,626	38,241,431
Unearned debits	-	3,642	-	-	3,642
Restricted cash	66,337	112,200	21,250	-	199,787
Total assets	11,309,388	23,500,369	11,192,046	1,322,068	47,323,871
Liabilities					
Current liabilities					
Accounts payable	579,413	4,006	55,151	42,197	680,767
Accrued interest payable	-	1,513	1,330	-	2,843
Customer deposits	66,337	-	-	-	66,337
Other liabilities	690,753	5,689	1,139	3,201	700,782
Current maturities of long-term debt	393,903	105,000	15,000	-	513,903
Total current liabilities	1,730,406	116,208	72,620	45,398	1,964,632
Long-term debt (net of current portion)					
Bonds payable	-	650,000	110,000	-	760,000
Lease liability	9,880	-	-	-	9,880
Total long-term debt	9,880	650,000	110,000	-	769,880
Total liabilities	1,740,286	766,208	182,620	45,398	2,734,512
Deferred Inflows of Resources					
Lease related	-	-	-	36,849	36,849
Net Position					
Net investment in capital assets	4,906,682	22,186,150	9,261,286	990,626	37,344,744
Restricted	-	112,200	21,250	-	133,450
Unrestricted	4,662,420	435,811	1,726,890	249,195	7,074,316
Total net position	\$ 9,569,102	\$ 22,734,161	\$ 11,009,426	\$ 1,239,821	\$ 44,552,510

City of Valley City, North Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

	Electric	Water	Sewer	Garbage	Total
Operating Revenues					
Utility sales and service charges	\$ 7,920,566	\$ 1,571,646	\$ 774,435	\$ 1,086,560	\$ 11,353,207
Forfeited discounts and penalties	11,654	1,897	1,175	1,574	16,300
Landfill fees	-	-	-	143,210	143,210
Total operating revenues	7,932,220	1,573,543	775,610	1,231,344	11,512,717
Operating Expenses					
Production and pumping	62,018	487,823	-	-	549,841
Cost of power	4,206,866	-	-	-	4,206,866
Distribution	475,582	439,170	225,966	-	1,140,718
Landfill and collections	-	-	-	922,921	922,921
Customer accounts	33,438	2,828	-	-	36,266
Customer service and information	1,569	-	-	-	1,569
Administration and general	633,463	327,402	107,699	182,657	1,251,221
Depreciation/amortization	605,941	1,396,494	358,467	142,602	2,503,504
Costs of services contributed to city	70,892	26,035	112	316	97,355
Total operating expenses	6,089,769	2,679,752	692,244	1,248,496	10,710,261
Operating Income (Loss)	1,842,451	(1,106,209)	83,366	(17,152)	802,456
Nonoperating Revenues (Expenses)					
Net merchandising revenue					
gross revenue of \$189,977	59,464	18,212	6,193	656	84,525
Interest income	43,014	799	(18)	-	43,795
Interest on long-term debt	-	(11,122)	(1,350)	-	(12,472)
Total nonoperating revenues (expenses)	102,478	7,889	4,825	656	115,848
Income (Loss) Before Transfers	1,944,929	(1,098,320)	88,191	(16,496)	918,304
Transfers (out)	(1,517,254)	-	-	-	(1,517,254)
Contribution of capital assets	-	562,952	487,639	-	1,050,591
Change in Net Position	427,675	(535,368)	575,830	(16,496)	451,641
Net Position, Beginning of Year, as restated, Note 13	9,141,427	23,269,529	10,433,596	1,256,317	44,100,869
Net Position, End of Year	\$ 9,569,102	\$ 22,734,161	\$ 11,009,426	\$ 1,239,821	\$ 44,552,510

City of Valley City, North Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2022

	Electric	Water	Sewer	Garbage	Total
Operating Activities					
Receipts from customers and users	\$ 7,913,996	\$ 1,589,217	\$ 780,781	\$ 1,193,918	\$ 11,477,912
Payments for cost of power	(4,206,866)	-	-	-	(4,206,866)
Payments to employees and other vendors	(1,147,523)	(1,284,739)	(281,459)	(1,047,587)	(3,761,308)
Net cash from operating activities	2,559,607	304,478	499,322	146,331	3,509,738
Non-Capital Financing Activity					
Transfer to other funds	(1,517,254)	-	-	-	(1,517,254)
Capital and Related Financing Activities					
Property and equipment additions, net	(1,016,637)	129,564	(103,303)	(76,689)	(1,067,065)
Payments on long-term debt					
Principal	(6,712)	(105,000)	(15,000)	-	(126,712)
Interfund special assessments payable	(17,011)	(177,580)	(4,127)	(2,250)	(200,968)
Interest	(827)	(20,839)	(1,613)	(161)	(23,440)
Net cash used for capital and related financing activities	(1,041,187)	(173,855)	(124,043)	(79,100)	(1,418,185)
Investing Activity					
Interest and dividends from investments	43,014	799	(18)	-	43,795
Change in Cash and Cash Equivalents	44,180	131,422	375,261	67,231	618,094
Cash and Cash Equivalents - Beginning of Year (including restricted cash)	4,006,271	\$ 145,349	1,347,591	88,491	5,587,702
Cash and Cash Equivalents - End of Year (including restricted cash)	\$ 4,050,451	\$ 276,771	\$ 1,722,852	\$ 155,722	\$ 6,205,796
Cash and Cash Equivalents Restricted Cash	\$ 3,984,114	\$ 164,571	\$ 1,701,602	\$ 155,722	\$ 6,006,009
	66,337	112,200	21,250	-	199,787
Total Cash	4,050,451	276,771	1,722,852	155,722	6,205,796
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,842,451	\$ (1,106,209)	\$ 83,366	\$ (17,152)	\$ 802,456
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation/amortization	605,941	1,396,494	358,467	142,602	2,503,504
Other income	59,464	18,212	6,193	656	84,525
Changes in assets and liabilities					
Accounts receivable	(77,688)	(2,538)	(1,022)	(38,082)	(119,330)
Inventories	(679,033)	(4,672)	-	(236)	(683,941)
Prepaid items	(8,176)	-	-	-	(8,176)
Accounts payable	94,688	1,249	51,489	19,086	166,512
Customer deposits	19,803	-	-	-	19,803
Deferred inflows of resources	-	-	-	36,849	36,849
Other liabilities	672,584	1,942	829	2,608	677,963
Compensated absences payable	29,573	-	-	-	29,573
Net cash from operating activities	\$ 2,559,607	\$ 304,478	\$ 499,322	\$ 146,331	\$ 3,509,738
Schedule of Non-Cash Capital and Related Financing Activities					
Capital contributions	\$ -	\$ 562,952	\$ 487,639	\$ -	\$ 1,050,591

Note 1 - Summary of Significant Accounting Policies

The City of Valley City was incorporated in 1883 and operates under a commission form of government. In 1991, the City passed a resolution for the City of Valley City to adopt a home rule charter. The accounting policies of the City conform to generally accepted accounting principles applicable to governmental units. The water, sewer, and electrical activities of the Valley City Public Works (VCPW) are nonregulated. The more significant of the government's accounting policies are described below.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City's significant accounting policies are described below:

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no component units reported within these financial statements.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this rule are charges from the City's electric, water and sewer utilities, and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Although agency funds have no measurement focus, they also use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

Permanent Flood Protection – This fund accounts for the resources accumulated and payments made for permanent flood protection projects.

Paving Projects – This fund accounts for the resources accumulated and payments made for city paving projects.

Infrastructure Renewal & Replacement – This fund accounts for the resources accumulated and payments made for infrastructure projects.

Emergency - This fund accounts for emergency flood related activity.

Municipal Infrastructure - This fund accounts for the resources accumulated and payments made for infrastructure projects.

Debt Service – This fund accounts for the resources accumulated and payments made for principal and interest on all general obligation and special assessment bonds of governmental funds.

The City reports the following major proprietary funds:

Electric – This fund accounts for the provision of electric service to the residents of the City.

Water – This fund accounts for the provision of water utility service to the residents of the City.

Sewer – This fund accounts for the provision of sanitary sewer service to the residents of the City.

Garbage – This fund accounts for the provision of sanitation and garbage removal service to the residents of the City.

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Other Significant Accounting Policies

Budgets and Budgetary Accounting

An annual budget is adopted only for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented in this report are on this budgetary basis.

Appropriations are authorized by the city commission at the fund level, which is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budget.

The budget is legally enacted through passage of a budget ordinance no later than October 1.

All unexpended appropriations lapse at year-end.

Any changes in the total budget of each fund must be approved by a majority vote of the city commission.

Cash and Cash Equivalents, and Restricted Cash

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City considers cash equivalents to be certificates of deposit, money market funds, and other highly liquid investments with original maturities of three months or less.

Restricted cash consists of amounts that have been restricted to meet bond reserve requirements or set aside as customer deposits.

Inventories

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Proprietary fund inventories are presented on an average cost basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items in both government-wide and fund financial statements.

Receivable and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are charged a late fee of ½% of the billing amount after 30 days from the invoice date. Payments on trade receivables are applied to the earliest unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), mains and lines, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	10-30 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Mains and lines	3-50 years

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Lease Receivables

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

Compensated Absences

All regular employees are entitled to vacation time with pay based upon length of continuous service. Annual vacation leave may be accumulated a maximum of four weeks. Upon termination, employees are compensated for unused vacation leave.

All regular full-time or regular part-time employees shall accumulate sick leave, which is not a benefit earned by the employee such as annual leave. Temporary and part-time employees are not eligible to accumulate sick leave. Sick leave is to be used for any illness, injury or other medical reasons. Employees with more than 350 hours of accrued sick leave at December 31 have the option to convert sick leave into annual vacation leave.

Upon reaching five years of employment, employees voluntarily leaving employment with the City will receive payment for accrued sick leave at the current rate of pay at separation as follows:

5+ years of employment	25%
10+ years of employment	50%
15+ years of employment	75%

Payments received for sick leave balances will have retirement contributions deducted. Employees accrue one day per month and may accumulate up to 124 days. Historically, employees have not used all sick leave earned.

Accumulated unpaid vested sick leave is accrued when incurred in government-wide proprietary fund financial statements. Such amounts, other than the current portion, are not accrued in governmental funds, but are recorded in the governmental activities in the government-wide statements.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end along with changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes, special assessments, and intergovernmental aid for FEMA reimbursements on the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The fourth item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position. The final item is deferred inflows related to leases where the City is the lessor and is reported in the proprietary statement of net position and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance – represents amounts that cannot be spent due to form such as inventories, prepaids, long-term loans, and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted Fund Balance – represents amounts that exist when constraints are placed on the use of resources that are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments (or) restrictions imposed by law through constitutional provisions or enabling legislation (i.e., Emergency fund).

Committed Fund Balance – represents amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the City Commission. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it previously employed to commit those amounts. (Example would be legislation, resolution, or ordinance). (i.e., Sales tax ordinance, budget ordinance).

Assigned Fund Balance – represents amounts constrained by the City's intent to be used for a specific purpose but are not restricted or committed. The Commission has delegated the authority to assign these amounts to the City Administrator and the City Auditor. Assigned amounts or changes to Assigned amounts will later be presented to the Commission for review.

Unassigned Fund Balance – represents the remaining residual balances that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City Commission establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use nonspendable resources first, restricted second, committed third, assigned fourth and unassigned last.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred inflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Self-Insurance

The City implemented a self-insurance medical plan in March 1985 and terminated the plan during 2020, implementing a fully-insured fund at that time.

Risk Management

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently participates in the North Dakota insurance reserve fund, North Dakota fire and tornado fund, state bonding fund and North Dakota Workforce Safety Insurance to cover claims. There have been no settled claims exceeding insurance coverage in any of the past three years.

Implementation of GASB Statement No. 87

As of January 1, 2022, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Notes 1 and 10.

Note 2 - Compliance and Stewardship

Deficit Fund Balance

Fund balance deficits existed in certain individual funds at December 31, 2022, as follows:

Permanent Flood Protection	\$ 42,421
Paving Projects	1,811,423
Emergency	1,164,491
Nonmajor Governmental Funds	
DOT Misc Projects	18,123
Underground Construction	290,118
NW & West Storm Sewer	12,599

No formal action is required or anticipated regarding the deficits. These deficits are expected to be eliminated in future years through future special assessment tax collections, transfers, and sale of bonds.

Note 3 - Deposits and Investments

Deposits

In accordance with the North Dakota Century Code, the City maintains deposits at depository banks covered by Federal Depository Insurance. Century Code requires that all City deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2022, the City's deposits include checking accounts.

Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury Investments and U.S. agencies, bankers' acceptances, certain repurchase agreements, and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Beyond what is stated in the Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk. As of December 31, 2022, the City's deposits were either fully insured or properly collateralized, and have no custodial credit risk.

Concentration of Credit Risk

The City maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022, the Government had approximately \$16,070,000 in excess of FDIC-insured limits that was properly collateralized.

Interest Rate Risk – Investments

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following table presents the City's deposit and investment balances at December 31, 2022.

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and Cash Equivalents			
Deposits	\$ 12,989,655	\$ 12,989,655	\$ -
Petty cash	1,900	1,900	-
Certificates of deposit	3,333,450	-	3,333,450
	<u>\$ 16,325,005</u>	<u>\$ 12,991,555</u>	<u>\$ 3,333,450</u>

Cash and investments are included on the basic financial statements as follows:

Cash and cash equivalents - Statement of Net Position	\$ 15,419,153
Restricted cash - Statement of Net Position	<u>905,852</u>
	<u>\$ 16,325,005</u>

Note 4 - Property Taxes and Special Assessments

Property Taxes

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by deferred revenue because it is not available to finance current expenditures. The delinquent taxes receivable represents the past five years of uncollected tax levies.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county and remitted to the City at the same time property tax settlements are made. Property owners are allowed to prepay total future installments plus accrued interest without prepayment penalties. Special assessments are generally collected by the county and remitted to the City at the same time the tax settlements are made. Special assessments receivable includes the following components:

Delinquent – amounts billed to property owners but not paid

Deferred – assessment installments that will be billed to property owners in future years

Interfund – assessment installments for proprietary fund owned property not yet paid

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning Balance (as restated)	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated/amortized				
Land	\$ 173,800	\$ -	\$ -	\$ 173,800
Construction in progress	44,591,524	5,585,290	3,672,120	46,504,694
Total capital assets not being depreciated/amortized	44,765,324	5,585,290	3,672,120	46,678,494
Capital assets, being depreciated/amortized				
Infrastructure	49,497,628	2,859,779	-	52,357,407
Buildings and improvements	2,672,683	308,423	-	2,981,106
Machinery and equipment	1,576,532	85,465	-	1,661,997
Vehicles	4,266,784	425,800	26,482	4,666,102
Right of use leased assets	168,161	-	-	168,161
Total capital assets being depreciated/amortized	58,181,788	3,679,467	26,482	61,834,773
Less accumulated depreciation/amortization for				
Infrastructure	9,981,920	1,237,441	-	11,219,361
Buildings and improvements	1,958,424	63,454	-	2,021,878
Machinery and equipment	1,331,350	109,935	-	1,441,285
Vehicles	2,516,776	321,868	19,334	2,819,310
Right of use leased assets	-	56,054	-	56,054
Total accumulated depreciation/amortization	15,788,470	1,788,752	19,334	17,557,888
Total capital assets being depreciated/amortized, net	42,393,318	1,890,715	7,148	44,276,885
Governmental activities capital assets, net	\$ 87,158,642	\$ 7,476,005	\$ 3,679,268	\$ 90,955,379

City of Valley City, North Dakota
Notes to Financial Statements
December 31, 2022

Business-Type Activities	Beginning Balance (as restated)	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated/amortized				
Land	\$ 424,693	\$ -	\$ -	\$ 424,693
Construction in progress	258,437	1,112,309	76,219	1,294,527
Total capital assets not being depreciated/amortized	683,130	1,112,309	76,219	1,719,220
Capital assets, being depreciated/amortized				
Buildings and improvements	25,680,645	31,100	48,786	25,662,959
Machinery and equipment	11,217,484	172,250	-	11,389,734
Mains and lines	45,225,932	1,117,984	456,578	45,887,338
Right of use leased assets	23,399	-	-	23,399
Total capital assets being depreciated/amortized	82,147,460	1,321,334	505,364	82,963,430
Less accumulated depreciation/amortization for				
Buildings and improvements	7,146,351	402,557	23,369	7,525,539
Machinery and equipment	9,096,033	949,277	-	10,045,310
Mains and lines	27,960,927	1,144,822	242,227	28,863,522
Right of use leased assets	-	6,848	-	6,848
Total accumulated depreciation/amortization	44,203,311	2,503,504	265,596	46,441,219
Total capital assets being depreciated/amortized, net	37,944,149	(1,182,170)	239,768	36,522,211
Business-type activities capital assets, net	<u>\$ 38,627,279</u>	<u>\$ (69,861)</u>	<u>\$ 315,987</u>	<u>\$ 38,241,431</u>

Depreciation/amortization expense was charged to functions/programs of the government as follows:

Governmental Activities	
General government	\$ 176,948
Public safety	83,988
Public works	1,527,816
Total depreciation/amortization expense - governmental activities	<u>\$ 1,788,752</u>
Business-Type Activities	
Electric	\$ 605,941
Water	1,396,494
Sewer facility	358,467
Garbage	142,602
Total depreciation/amortization expense - business-type activities	<u>\$ 2,503,504</u>

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2022:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
Special assessment bonds	\$ 8,774,965	\$ 500,000	\$ 1,028,862	\$ 8,246,103	\$ 1,023,117
Sales tax revenue bonds	7,376,453	-	496,639	6,879,814	473,328
Total bonds payable	<u>16,151,418</u>	<u>500,000</u>	<u>1,525,501</u>	<u>15,125,917</u>	<u>1,496,445</u>
Notes payable					
PFA loans	565,960	1,400,982	94,000	1,872,942	102,000
Direct borrowing	-	500,000	11,730	488,270	21,357
Total notes payable	<u>565,960</u>	<u>1,900,982</u>	<u>105,730</u>	<u>2,361,212</u>	<u>123,357</u>
Lease liability	168,161	-	58,378	109,783	53,763
Financed purchases	712,347	-	44,719	667,628	46,193
Compensated absences	<u>257,457</u>	<u>186,326</u>	<u>155,115</u>	<u>288,668</u>	<u>288,668</u>
Governmental activities long-term debt	<u>\$ 17,855,343</u>	<u>\$ 2,587,308</u>	<u>\$ 1,889,443</u>	<u>\$ 18,553,208</u>	<u>\$ 2,008,426</u>
Business-type Activities					
Bonds payable					
Revenue bonds	\$ 1,000,000	\$ -	\$ 120,000	\$ 880,000	\$ 120,000
Lease liability	23,399	-	6,712	16,687	6,807
Compensated absences	<u>357,523</u>	<u>214,910</u>	<u>185,337</u>	<u>387,096</u>	<u>387,096</u>
Business-type activities long-term debt	<u>\$ 1,380,922</u>	<u>\$ 214,910</u>	<u>\$ 312,049</u>	<u>\$ 1,283,783</u>	<u>\$ 513,903</u>

Bonds Payable

At December 31, 2022, the City had the following bond issuances outstanding:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental Activities				
Special assessment bonds				
2003 Bridgeview Estates				
Special Assessment Bonds	5.80	2024	\$ 338,460	\$ 51,598
Tax Increment Financing Bonds of 2008	4.50	2024	825,000	166,645
2013 Refunding Improvement Bond	0.35 - 2.20	2026	955,000	190,000
2015 Improvement Bond	2.00 - 3.25	2040	4,545,000	2,495,000
2016 Refunding Improvement Bond	0.80 - 1.65	2026	1,295,000	480,000
2017 Refunding Improvement Bond	2.91	2047	2,150,000	1,725,000
2018 Refunding Improvement Bond	3.00 - 4.00	2038	1,975,000	1,580,000
2021 Refunding Improvement Bond	0.25 - 1.50	2031	1,315,000	1,085,000
Tax Increment Financing Revolving Loan 2022	2.00	2032	500,000	472,860
Total special assessment bonds			<u>\$ 13,898,460</u>	<u>\$ 8,246,103</u>

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2022

Sales tax revenue bonds				
2013 Sales Tax Revenue Bond	0.50 - 3.00	2028	\$ 2,900,000	\$ 1,270,000
2016 Sales Tax Revenue Bond	1.50	2047	860,614	703,745
2017 Sales Tax Revenue Bond	1.50	2047	1,392,500	1,182,946
2018 Sales Tax Revenue Bond	1.50	2048	3,289,400	2,892,510
2021 Sales Tax Revenue Bond	2.00	2050	1,100,000	830,613
Total sales tax revenue bonds			<u>\$ 9,542,514</u>	<u>\$ 6,879,814</u>
Total governmental activities			<u>\$ 23,440,974</u>	<u>\$ 15,125,917</u>
Business-Type Activities				
Revenue bonds				
Wastewater Treatment Revenue Bond, series 2009	0.5	2025	\$ 260,000	\$ 125,000
Water Treatment Revenue Bond, series 2009	0.5	2030	4,485,031	755,000
Total business-type activities			<u>\$ 4,745,031</u>	<u>\$ 880,000</u>

Special assessment bonds are recorded in the governmental activities in the government-wide statement and are backed by the full faith and credit of the City. These bonds are payable from the debt service funds primarily through property tax levies.

Refunding improvement bonds are also recorded as a liability in the governmental activities in the government-wide statement and are payable from the debt service funds primarily through special assessments levied and collected for local improvements. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

The 2021 Refunding Improvement Bonds, 2018 Refunding Improvement Bonds, 2017 Refunding Improvement, and 2016 Refunding Improvement Bonds were special assessment bonds. North Dakota state law requires that these be called refunding bonds because warrants are the first issuance that are refunded with the bond issuance.

During the year ended December 31, 2022, the City issued Tax Increment Financing Revolving Loan of 2022 totaling \$500,000. The loan bear an interest rates of 2.00% and call for semiannual principal and interest payments commencing November 2022 through May 2032. The bonds are payable from the debt service fund primarily through special assessments levied against benefiting properties.

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$2.9 million in sales tax revenue bonds issued in 2013, \$860,614 in sales tax revenue bonds issued in 2016, \$1.39 million in sales tax revenue bonds issued in 2017, \$3.29 million in sales tax revenue bonds issued in 2018, and \$1.1 million in sales tax revenue bonds issued in 2021. Proceeds from the bonds were used for economic development, job creation, and for financing the local share of the Permanent Flood Protection project. Principal and interest paid for the current year was \$680,983. Net sales tax revenue totaled \$2,742,325 for the year.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in substantial compliance with significant limitations and restrictions.

General obligation revenue bonds are recorded as a liability in the public utilities fund and are payable from public utility revenues.

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2022

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Special Assessment Bonds</u>		<u>Sales Tax Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,023,117	\$ 194,461	\$ 473,328	\$ 175,779
2024	1,053,404	174,616	485,684	166,291
2025	932,356	152,113	493,059	156,517
2026	878,321	133,562	500,455	145,739
2027	659,306	113,446	507,872	134,778
2028-2032	2,479,599	354,612	1,410,883	440,029
2033-2037	1,115,000	101,989	936,201	197,622
2038-2042	105,000	4,256	971,840	126,348
2043-2047	-	-	978,273	52,358
2048-2050	-	-	122,219	1,829
Total	<u>\$ 8,246,103</u>	<u>\$ 1,229,055</u>	<u>\$ 6,879,814</u>	<u>\$ 1,597,290</u>

The annual requirements to amortize the bonded debt outstanding for the business-type activities as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 120,000	\$ 4,300
2024	120,000	3,700
2025	120,000	3,100
2026	125,000	2,500
2027	125,000	1,900
2028-2029	270,000	950
Total	<u>\$ 880,000</u>	<u>\$ 16,450</u>

Notes Payable

At December 31, 2022, the City had the following notes payable outstanding:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
PFA loans				
2019 Clean Water State Revolving Fund Program	1.50	2039	\$ 395,851	\$ 330,000
2020 Drinking Water Assessment Warrant	1.50	2040	217,741	192,742
2020 Wastewater Treatment Assessment Warrant	1.50	2040	457,151	397,150
2022 Clean Water Wastewater Treatment Assessment Warrant	1.50	2041	816,050	782,050
2022 Drinking Water Wastewater Treatment Assessment Warrant	1.50	2042	<u>171,000</u>	<u>171,000</u>
Total PFA loans			<u>\$ 2,057,793</u>	<u>\$ 1,872,942</u>
Direct borrowing				
2021 Certificate of Indebtedness - Fire Hall	2.00	2041	<u>\$ 500,000</u>	<u>\$ 488,270</u>
Total governmental activities			<u>\$ 2,557,793</u>	<u>\$ 2,361,212</u>

During the year ended December 31, 2022, the City drew \$816,050 of its available Water Wastewater Treatment Assessment Warrant, Series 2022, to finance the construction and completion of the 7th Avenue NW and 2nd NE Storm and Sanitary Sewer replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments commencing in March 2023 and annual principal payments, commencing September 2023 through September 2041. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

During the year ended December 31, 2022, the City drew \$171,000 of its available Drinking Water Wastewater Treatment Assessment Warrant, Series 2022, to finance the construction and completion of the 7th Avenue NW and 2nd NE watermain replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments commencing in March 2023 and annual principal payments, commencing September 2023 through September 2042. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

During the year ended December 31, 2022, the City drew \$73,741 of its available \$300,000 Water Treatment Assessment Warrant, Series 2020, to finance the construction and completion of the 5th Avenue watermain replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments commencing in March 2023 and annual principal payments, commencing September 2023 through September 2041. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

During the year ended December 31, 2022, the City drew \$340,191 of its available \$675,000 Wastewater Assessment Warrant, Series 2020, to finance the construction and completion of the 5th Ave storm and sanitary sewer replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments and annual principal payments, both commencing September 2021 through September 2040. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

During the year ended December 31, 2022, the City authorized the issuance of the 2021 Certificate of Indebtedness in the amount of \$500,000 to finance the fire hall building addition. The certificate was purchased by the Bank of North Dakota and bears an interest rate of 2.0% and call for semiannual principal and interest payments commencing November 2022 through November 2041. The certificates are payable from the debt service fund through pledged state aid revenues.

The annual requirements to amortize the notes payable outstanding for the governmental activities as of December 31, 2022, are as follows:

Years Ending December 31,	PFA Loans		Direct Borrowing	
	Principal	Interest	Principal	Interest
2023	\$ 102,000	\$ 33,375	\$ 21,357	\$ 9,659
2024	103,000	31,845	21,787	9,230
2025	103,000	30,300	22,224	8,792
2026	113,000	28,755	22,671	8,345
2027	113,000	27,060	23,127	7,890
2028-2032	588,000	109,605	122,796	32,285
2033-2037	496,892	56,610	135,644	19,438
2038-2042	254,050	11,400	118,664	5,402
Total	<u>\$ 1,872,942</u>	<u>\$ 328,950</u>	<u>\$ 488,270</u>	<u>\$ 101,041</u>

Financed Purchase

During prior years, the City entered into a financed purchase agreement for the purchase of two motor graders and a wheel loader. The agreement requires annual payments of principal and interest, at an interest rate from 3.25% commencing August 2021 through August 2028. Payments are made from the general fund. The agreement contains a provision that in the event of default, the equipment will be repossessed.

Total cost of the assets under financed purchase was \$780,000 with accumulated depreciation of \$207,999 as of December 31, 2022.

The annual requirements to amortize the financed purchase outstanding as of December 31, 2022, are as follows:

Years Ending December 31,	Financed purchase	
	Principal	Interest
2023	\$ 46,193	\$ 23,499
2024	47,717	22,024
2025	49,291	20,500
2026	50,917	18,926
2027	52,597	17,300
2028	420,913	29,505
Total	<u>\$ 667,628</u>	<u>\$ 131,754</u>

Compensated Absences

Compensated absences for governmental funds is recorded as a liability in the governmental activities in the government-wide statement. This liability matures only upon qualified retirements or terminations and is paid out of the general fund.

Conduit Debt

From time to time, the City has approved issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2022, there were series of Industrial Revenue Bonds outstanding; the aggregate principal amount payable is \$1,875,000. Neither the State of North Dakota nor the City of Valley City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.

Lease Liability

See lease liability information disclosed in Note 10.

Note 7 - Interfund Receivables, Payables, and Transfers

Interfund receivables/payables are used to record accrued obligations between funds to cover deficit cash balances that existed at year-end..

	Due From Other Funds	Due To Other Funds
General	\$ 321,698	\$ -
Infrastructure Renewal & Replacement	3,144,362	-
Emergency	-	1,164,491
Permanent Flood Protection	-	458,050
Paving Projects	-	1,474,396
Debt Service	5	5
Other governmental funds	-	369,123
	<u>\$ 3,466,065</u>	<u>\$ 3,466,065</u>

A summary of the City's interfund transfers is as follows:

	Transfer In	Transfer Out
Governmental Funds		
General	\$ 1,754,554	\$ 42,157
Infrastructure Renewal & Replacement	-	206,641
Paving Projects	145,516	-
Municipal infrastructure	16,032	
Debt Service	557,525	89,509
Non-major governmental	21,996	640,062
Total governmental funds	2,495,623	978,369
Proprietary Funds		
Electric	-	1,517,254
Total transfers	\$ 2,495,623	\$ 2,495,623

Transfers are made for closing funds, funding various projects, operational expenses, and meeting debt service requirements.

Note 8 - Pension Plans

The City contributes to the self-administered trustee money purchase pension plan, a defined contribution profit-sharing plan, for grandfathered employees who did not elect to switch to the North Dakota Public Employees Retirement System plans during 2022. Benefit terms, including contribution requirements, for the plan are established and may be amended by the City's Board. The City is required to contribute, at a maximum, 10% of the employees' recognized compensation. The contributions by the employer are credited to a separate bookkeeping account for each individual. Pension contributions and expense in 2022 was \$366,453 including Public Works in the amount of \$200,014. The City had no liability to the plan at December 31, 2022.

The City elected to join the North Dakota Public Employees Retirement System during 2022. The following information pertains to the City's pension activity for the year ended December 31, 2022.

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
NDPERS - Main	\$ 1,439,289	\$ 1,248,394	\$ 486,671	\$ 336,071
NDPERS - Safety	547,015	320,052	260,458	87,621
	<u>\$ 1,986,304</u>	<u>\$ 1,568,446</u>	<u>\$ 747,129</u>	<u>\$ 423,692</u>

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Employer reported a liability of \$1,248,394 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Employer's proportion was 0.0435 percent.

For the year ended December 31, 2022, the Employer recognized pension expense of \$336,071. At December 31, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,512	\$ 23,846
Changes in assumptions	746,558	462,825
Differences between projected and actual investment earnings	45,691	-
Change in proportion and differences between contributions made and Employer's proportionate share of contributions	613,487	-
Employer contributions subsequent to the measurement date	<u>27,041</u>	<u>-</u>
	<u><u>\$ 1,439,289</u></u>	<u><u>\$ 486,671</u></u>

The \$27,041 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 259,551
2024	275,160
2025	176,334
2026	<u>214,532</u>
	<u><u>\$ 925,577</u></u>

Actuarial assumptions. The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	NDPERS
Inflation	2.25% per year
Salary Increases	3.50% to 17.75% including inflation
Investment Rate of Return	5.10, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%
Cash Equivalent	0%	0.00%
	100%	

Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.12 percent) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
NDPERS discount rate	4.10%	5.10%	6.10%
City's proportionate share of the NDPERS net pension liability	\$ 1,647,794	\$ 1,248,394	\$ 920,500

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NDPERS Law Enforcement Retirement System (Law Enforcement System)

The following brief description of the Law Enforcement System is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service in the Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Employer reported a liability of \$320,052 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2022, the Employer's proportion was 5.069763 percent.

For the year ended December 31, 2022, the Employer recognized pension expense of \$87,621. At December 31, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,775	\$ 23,471
Changes in assumptions	425,899	236,987
Differences between projected and actual investment earnings	41,308	-
Change in proportion and differences between contributions made and Employer's proportionate share of contributions	24,880	-
Employer contributions subsequent to the measurement date	34,153	-
	<u>\$ 547,015</u>	<u>\$ 260,458</u>

The \$34,153 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2023	\$ 53,900
2024	60,661
2025	38,430
2026	53,685
2027	45,728
	<u>\$ 252,404</u>

Actuarial assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	NDPERS
Inflation	2.25% per year
Salary Increases	3.50% to 17.75% including inflation
Investment Rate of Return	5.10, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%
Cash Equivalent	0%	0.00%
	100%	

Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
NDPERS discount rate	4.10%	5.10%	6.10%
City's proportionate share of the NDPERS net pension liability	\$ 556,205	\$ 320,052	\$ 134,235

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 9 - Other Post-Employment Benefits

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2022, the City reported a liability of \$88,175 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the City's proportion was 0.073460 percent.

For the year ended December 31, 2022, the City recognized OPEB expense of \$23,154. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,090	\$ 758
Changes in assumptions	22,210	-
Differences between projected and actual investment earnings	11,872	-
Change in proportion and differences between contributions made and Employer's proportionate share of contributions	32,907	-
	<u>\$ 69,079</u>	<u>\$ 758</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense Amount
2023	\$ 17,721
2024	17,102
2025	15,983
2026	17,515
	<u>\$ 68,321</u>

Actuarial assumptions. The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost of living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Fixed income	35%	0.50%
International equity	26%	6.25%
	100%	

Discount rate. The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	4.39%	5.39%	6.39%
Net OPEB liability	\$ 112,550	\$ 88,175	\$ 67,713

Note 10 - Leases

Leases Payable

During previous years, the City entered into various equipment lease agreements as lessee for the acquisition and use of copy machines, envelop stuffer machines, John Deere equipment, and a street sweeper. As of December 31, 2022, the value of the lease liability was \$126,470. The City is required to make annual principal and interest payments of \$58,378 and monthly principal and interest payments of \$590. Lease payments are made from the general and electric funds. The leases have an interest rates ranging from 2.00 - 4.83%. The equipment has a three to five-year estimated useful life. The value of the right-to-use assets as of the end of the current fiscal year was \$128,658 and had accumulated amortization of \$62,902. During the year ended December 31, 2022, the City recognized interest expense of \$367 and amortization expense of \$62,902 related to leases.

The future principal and interest lease payments as of December 31, 2022, were as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities Leases</u>		<u>Electric Fund Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 53,763	\$ 4,615	\$ 6,807	\$ 272
2024	56,020	2,358	6,945	134
2025	-	-	2,935	15
Total	<u>\$ 109,783</u>	<u>\$ 6,973</u>	<u>\$ 16,687</u>	<u>\$ 421</u>

Lease Receivable

During previous years, the City entered into a 48-month lease agreement as lessor for the rent of dumpsters to a third party. The City will receive monthly payments of \$400 and has an interest rate of 2.00%. The City recognized \$4,544 in lease revenue and \$256 in interest revenue during the current fiscal year related to this Lease within the garbage fund. As of December 31, 2022, the City's lease receivable was \$11,695. Also, the City has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$11,600.

During the current fiscal year, the City entered into a 48-month lease agreement as lessor for the rent of vehicles to a third party. The City will receive monthly payments of \$625 and has an interest rate of 2.00%. The City recognized \$3,524 in lease revenue and \$226 in interest revenue during the current fiscal year related to this lease within the garbage fund. As of December 31, 2022, the City's lease receivable was \$25,332. Also, the City has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$25,249.

The future principal and interest lease receipts as of December 31, 2022, were as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Deferred Inflow of Resources</u>
2023	\$ 11,666	\$ 7,250	\$ 11,854
2024	11,901	399	11,854
2025	9,732	168	9,534
2026	3,728	22	3,607
Total	<u>\$ 37,027</u>	<u>\$ 7,839</u>	<u>\$ 36,849</u>

Note 11 - Commitments

Litigation and Potential Exposure – In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2022, but in the opinion of management and legal counsel the ultimate disposition of any or all of these proceedings will not have a material effect on the City's financial position.

Wholesale Firm Power – Under its wholesale power agreement, the electric utility is committed to purchase its electric power and energy requirements from the Western Area Power Administration (WAPA) until December 31, 2050. The rates paid therefore are reviewed on an as-required basis as determined by WAPA.

Under a supplemental power agreement, the electric utility is committed to purchase its electric power and energy needs that are over and above that available from WAPA from the Missouri River Energy Services until January 1, 2030. This base term may be extended for successive 10-year periods. The rates paid therefore are subject to review annually.

Construction Commitments – The City has active construction projects as of December 31, 2022. For the ongoing Permanent Flood Protection project throughout Valley City the following commitments are outstanding: Phase IV Permanent Flood Protection Construction commitment of \$151,983.

The City has various paving street projects ongoing. As of December 31, 2022, the remaining commitment is approximately \$1,576,000.

The City has an ongoing Streetscape II Paving project for \$1,939,682. As of December 31, 2022, the remaining commitment is approximately \$30,000.

The City has an ongoing Paving Reconstruction and Underground project for \$147,498. As of December 31, 2022, the remaining commitment is approximately \$8,000.

The City has Nextera sewer and water project ongoing. As of December 31, 2022, the remaining commitment is approximately \$119,000.

Note 12 - Tax Exemption and Abatements

The City provides tax exemption and abatements through various programs. The following is information relevant to the disclosure of this program for the fiscal year ended December 31, 2022:

The city has various two-to-five-year property tax incentives for New Residential Properties, Renaissance Zone Properties, Commercial Remodels, and Payment in Lieu of Taxes (PILOT). The total tax abatements for 2022 totaled \$81,249.

Note 13 - Restatements

Correction of an Error

As of January 1, 2022, the City determined that a portion of the funds previously accounted for in the General Fund are more appropriately accounted for in the Electric Fund. This item has resulted in a restatement of the fund balance of the General Fund as well as the related Electric Fund, Governmental Activities and Business Type Activities net position as of January 1, 2022.

GASB 87 Implementation

As of January 1, 2022, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position and fund balances were restated to retroactively adopt the provisions of GASB Statement No. 87.

The effect of these restatements on net position and fund balances is as follows:

	General Fund	Electric Fund	Business-Type Activities	Governmental Activities
Net Position/Fund Balance - December 31, 2021, as previously reported	\$ 2,337,713	\$ 8,683,121	\$ 43,642,563	\$ 84,625,497
Restatement due to fund classification change at January 1, 2022	(458,306)	458,306	458,306	(458,306)
Add right-to-use assets under GASB Statement No. 87 at January 1, 2022	-	-	23,399	168,161
Add lease liability under GASB Statement No. 87 at January 1, 2022	-	-	(23,399)	(168,161)
Add lease receivable under GASB Statement No. 87 at January 1, 2022	-	-	45,020	-
Add deferred inflow of resources for lease receivable under GASB Statement No. 87 at January 1, 2022	-	-	(45,020)	-
Net Position/Fund Balance - January 1, 2022, as restated	<u>\$ 1,879,407</u>	<u>\$ 9,141,427</u>	<u>\$ 44,100,869</u>	<u>\$ 84,167,191</u>

Note 14 - Subsequent Events

The City has evaluated subsequent events through October 2, 2023, the date which the financial statements were available to be issued.

The City collected federal and state FEMA reimbursement grant funding related to the Spring 2022 flood amounting to \$1,411,432 in May 2023.



Required Supplementary Information
December 31, 2022

City of Valley City, North Dakota

City of Valley City, North Dakota
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
December 31, 2022

Main System

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With Employer (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS Main	6/30/2022	0.0435%	\$ 1,248,394	N/A	\$ 1,248,394	\$ 503,176	248.10%	55.03%

*Complete data for this schedule is not available prior to 2022 due to the City joining NDPERS during fiscal year 2022.

City of Valley City, North Dakota
Schedule of Employer's Share of Net Pension Liability
December 31, 2022

Main System – Law Enforcement

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With Employer (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS Main - Law Enforcement	6/30/2022	5.0698%	\$ 320,052	N/A	\$ 320,052	\$ 709,543	45.11%	55.03%

*Complete data for this schedule is not available prior to 2022 due to the City joining NDPERS during fiscal year 2022.

City of Valley City, North Dakota
Schedule of Employer's Contributions
December 31, 2022

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
NDPERS Main	12/31/2022	\$ 49,735	\$ 49,735	\$ -	\$ 592,789	8.39%

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
NDPERS Main - Law Enforcement	12/31/2022	\$ 67,303	\$ 67,303	\$ -	\$ 822,777	8.18%

Changes of benefit terms.

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

City of Valley City, North Dakota
Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions
December 31, 2022

NDPERS - OPEB	<u>2022</u>
City's proportion of the net OPEB liability	0.07346%
City's proportionate share of the net OPEB liability	\$ 88,175
City's covered payroll	\$ 758,403
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	11.63%
Plan fiduciary net position as a percentage of the total OPEB liability	56.28%

NDPERS - OPEB	<u>2022</u>
Statutory required contribution	\$ 9,231
Contributions in relation to the statutory required contribution	\$ 3,300
Contribution deficiency	\$ 5,931
City's covered payroll	\$ 758,403
Contribution as a percentage of covered payroll	0.44%

Changes of benefit terms.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions.

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.



Supplementary Information
December 31, 2022

City of Valley City, North Dakota

City of Valley City, North Dakota
General Fund, By Department
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2022

	General Operations Department	City Financed Special Assessment Projects Department	Building Reserve Department	Renewal and Replacement Department	Street Equipment Renewal and Replacement Department	Financing Reserves (BN) Department	Sewer Renewal & Replacement Department	Streets Department	Total General Fund
Revenues									
General property taxes	\$ 1,215,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215,500
Special assessments	-	112,526	-	-	-	-	-	-	112,526
Franchise fees	-	-	-	-	-	-	61,466	-	61,466
Licenses and permits	50,700	-	-	-	-	-	-	-	50,700
Intergovernmental	657,333	-	-	23,491	-	-	-	466,498	1,147,322
Fines and forfeitures	75,564	-	-	-	-	-	-	-	75,564
Miscellaneous	336,677	-	2,117	12,354	-	54,575	-	10,338	416,061
Total revenues	2,335,774	112,526	2,117	35,845	-	54,575	61,466	476,836	3,079,139
Expenditures									
Current									
General government	1,214,218	-	-	-	-	-	-	-	1,214,218
Public safety	1,850,631	-	-	-	-	-	-	-	1,850,631
Public works	-	-	-	-	-	-	-	1,442,315	1,442,315
General government - other	36,222	-	-	-	-	-	-	-	36,222
Culture and recreation	184,739	-	-	-	-	-	-	-	184,739
Miscellaneous	-	-	-	-	-	-	154,767	-	154,767
Capital outlay	8,086	-	312,554	418,446	36,400	-	-	-	775,486
Debt Service									
Principal	-	-	-	-	103,097	-	-	-	103,097
Interest and fees	-	-	-	-	23,498	-	-	-	23,498
Total expenditures	3,293,896	-	312,554	418,446	162,995	-	154,767	1,442,315	5,784,973
Excess (Deficiency) of Revenues over (Under) Expenditures	(958,122)	112,526	(310,437)	(382,601)	(162,995)	54,575	(93,301)	(965,479)	(2,705,834)
Other Financing Sources (Uses)									
Debt proceeds	-	-	500,000	-	-	-	-	-	500,000
Transfers in	1,373,600	108,156	1,461	104,354	155,000	-	-	546,654	2,289,225
Transfers out	(425,818)	(151,010)	-	-	-	-	-	-	(576,828)
Total other financing sources and uses	947,782	(42,854)	501,461	104,354	155,000	-	-	546,654	2,212,397
Net Change in Fund Balance	(10,340)	69,672	191,024	(278,247)	(7,995)	54,575	(93,301)	(418,825)	(493,437)
Fund Balance (Deficit), Beginning, as restated, Note 13	1,388,636	(172,061)	(191,024)	153,888	26,838	463,480	284,398	(74,748)	1,879,407
Fund Balance (Deficit), Ending	\$ 1,378,296	\$ (102,389)	\$ -	\$ (124,359)	\$ 18,843	\$ 518,055	\$ 191,097	\$ (493,573)	\$ 1,385,970

City of Valley City, North Dakota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,645,326	\$ -	\$ 1,645,326
Receivables			
Accounts	7,196	-	7,196
Taxes receivable - delinquent	2,242	-	2,242
Special Assessments			
Current	375	-	375
Deferred	375	-	375
Due from other governmental units	310,521	-	310,521
Total assets	<u>\$ 1,966,035</u>	<u>\$ -</u>	<u>\$ 1,966,035</u>
Liabilities			
Accounts payable	\$ 96,861	\$ 43,714	\$ 140,575
Due to other funds	91,997	277,126	369,123
Total liabilities	<u>188,858</u>	<u>320,840</u>	<u>509,698</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	2,242	-	2,242
Unavailable revenue-special assessments	750	-	750
Total deferred inflows of resources	<u>2,992</u>	<u>-</u>	<u>2,992</u>
Fund Balance (Deficit)			
Restricted for			
Community development	1,774,185	-	1,774,185
Unassigned	-	(320,840)	(320,840)
Total fund balance (deficit)	<u>1,774,185</u>	<u>(320,840)</u>	<u>1,453,345</u>
Total liabilities, deferred inflows and fund balance (deficit)	<u>\$ 1,966,035</u>	<u>\$ -</u>	<u>\$ 1,966,035</u>

City of Valley City, North Dakota
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2022

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
General property taxes	\$ 177,787	\$ -	\$ 177,787
Intergovernmental	22,861	92,355	115,216
Sales tax	1,659,231	-	1,659,231
Miscellaneous	4,431	20,817	25,248
	<u>1,864,310</u>	<u>113,172</u>	<u>1,977,482</u>
Total revenues			
Expenditures			
Current			
General government - other	383,694	-	383,694
Culture and recreation	157,561	-	157,561
Community development	487,604	-	487,604
Miscellaneous	118,269	-	118,269
Capital outlay	-	939,901	939,901
	<u>1,147,128</u>	<u>939,901</u>	<u>2,087,029</u>
Total expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	717,182	(826,729)	(109,547)
Other Financing Sources (Uses)			
Debt proceeds	-	500,000	500,000
Transfers in	-	21,996	21,996
Transfers out	(640,062)	-	(640,062)
	<u>(640,062)</u>	<u>521,996</u>	<u>(118,066)</u>
Total other financing sources (uses)			
Net Change in Fund Balance	77,120	(304,733)	(227,613)
Fund Balance (Deficit), Beginning of Year	<u>1,697,065</u>	<u>(16,107)</u>	<u>1,680,958</u>
Fund Balance (Deficit), End of Year	<u><u>\$ 1,774,185</u></u>	<u><u>\$ (320,840)</u></u>	<u><u>\$ 1,453,345</u></u>

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property
Assets					
Cash and cash equivalents	\$ 3,526	\$ 7,290	\$ -	\$ 1,217,744	\$ 179,365
Receivables					
Accounts	-	-	-	-	-
Taxes receivable - delinquent	420	-	1,822	-	-
Special Assessments					
Current	-	375	-	-	-
Deferred	-	375	-	-	-
Due from other governmental units	100	-	438	127,962	45,701
Total assets	<u>\$ 4,046</u>	<u>\$ 8,040</u>	<u>\$ 2,260</u>	<u>\$ 1,345,706</u>	<u>\$ 225,066</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 438	\$ 82,500	\$ -
Due to other funds	596	-	-	-	-
Total liabilities	<u>596</u>	<u>-</u>	<u>438</u>	<u>82,500</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	420	-	1,822	-	-
Unavailable revenue - special assessments	-	750	-	-	-
Total deferred inflow of resources	<u>420</u>	<u>750</u>	<u>1,822</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit)					
Restricted for					
Community development	3,030	7,290	-	1,263,206	225,066
Total liabilities, deferred inflows, and fund (deficit) balance	<u>\$ 4,046</u>	<u>\$ 8,040</u>	<u>\$ 2,260</u>	<u>\$ 1,345,706</u>	<u>\$ 225,066</u>

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 92,607	\$ -	\$ 2,242	\$ 4,485	\$ 138,067	\$ 1,645,326
Receivables						
Accounts	-	-	2,399	4,797	-	7,196
Taxes receivable - delinquent	-	-	-	-	-	2,242
Special Assessments						
Current	-	-	-	-	-	375
Deferred	-	-	-	-	-	375
Due from other governmental units	17,634	91,401	-	-	27,285	310,521
Total assets	\$ 110,241	\$ 91,401	\$ 4,641	\$ 9,282	\$ 165,352	\$ 1,966,035
Liabilities						
Accounts payable	\$ -	\$ -	\$ 4,641	\$ 9,282	\$ -	\$ 96,861
Due to other funds	-	91,401	-	-	-	91,997
Total liabilities	-	91,401	4,641	9,282	-	188,858
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	-	-	2,242
Unavailable revenue - special assessments	-	-	-	-	-	750
Total deferred inflow of resources	-	-	-	-	-	2,992
Fund Balance (Deficit)						
Restricted for						
Community development	110,241	-	-	-	165,352	1,774,185
Total liabilities, deferred inflows, and fund (deficit) balance	\$ 110,241	\$ 91,401	\$ 4,641	\$ 9,282	\$ 165,352	\$ 1,966,035

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2022

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property
Revenues					
General property taxes	\$ 33,438	\$ -	\$ 144,349	\$ -	\$ -
Intergovernmental	1,155	-	13,212	-	-
Sales tax	-	-	-	522,504	270,774
Miscellaneous	-	431	-	-	-
Total revenues	<u>34,593</u>	<u>431</u>	<u>157,561</u>	<u>522,504</u>	<u>270,774</u>
Expenditures					
Current					
General government - other	-	-	-	-	-
Culture and recreation	-	-	157,561	-	-
Community development	31,049	-	-	456,555	-
Other	-	6,190	-	-	-
Total expenditures	<u>31,049</u>	<u>6,190</u>	<u>157,561</u>	<u>456,555</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,544	(5,759)	-	65,949	270,774
Other Financing Uses					
Transfers out	-	-	-	-	(238,000)
Net Change in Fund Balance	3,544	(5,759)	-	65,949	32,774
Fund (Deficit) Balance, Beginning of Year	<u>(514)</u>	<u>13,049</u>	<u>-</u>	<u>1,197,257</u>	<u>192,292</u>
Fund (Deficit) Balance, End of Year	<u>\$ 3,030</u>	<u>\$ 7,290</u>	<u>\$ -</u>	<u>\$ 1,263,206</u>	<u>\$ 225,066</u>

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2022

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
Revenues						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,787
Intergovernmental	8,494	-	-	-	-	22,861
Sales tax	54,155	541,547	34,856	68,127	167,268	1,659,231
Miscellaneous	4,000	-	-	-	-	4,431
Total revenues	66,649	541,547	34,856	68,127	167,268	1,864,310
Expenditures						
Current						
General government - other	-	230,000	34,856	118,838	-	383,694
Culture and recreation	-	-	-	-	-	157,561
Community development	-	-	-	-	-	487,604
Other	41,219	-	-	-	70,860	118,269
Total expenditures	41,219	230,000	34,856	118,838	70,860	1,147,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,430	311,547	-	(50,711)	96,408	717,182
Other Financing Uses						
Transfers out	-	(402,062)	-	-	-	(640,062)
Net Change in Fund Balance	25,430	(90,515)	-	(50,711)	96,408	77,120
Fund (Deficit) Balance, Beginning of Year	84,811	90,515	-	50,711	68,944	1,697,065
Fund (Deficit) Balance, End of Year	\$ 110,241	\$ -	\$ -	\$ -	\$ 165,352	\$ 1,774,185

City of Valley City, North Dakota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2022

	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Assets				
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	\$ 43,714	\$ -	\$ 43,714
Due to other funds	<u>18,123</u>	<u>246,404</u>	<u>12,599</u>	<u>277,126</u>
Total liabilities	<u>18,123</u>	<u>290,118</u>	<u>12,599</u>	<u>320,840</u>
Fund Deficit				
Unassigned	<u>(18,123)</u>	<u>(290,118)</u>	<u>(12,599)</u>	<u>(320,840)</u>
Total liabilities and fund deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Valley City, North Dakota
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2022

	Sidewalk Curb & Gutter Projects	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Revenues					
Intergovernmental	\$ -	\$ -	\$ 92,355	\$ -	\$ 92,355
Miscellaneous	-	20,817	-	-	20,817
Total revenues	-	-	92,355	-	113,172
Expenditures					
Capital outlay	6,194	38,634	882,473	12,600	939,901
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,194)	(38,634)	(790,118)	(12,600)	(826,729)
Other Financing Sources (Uses)					
Debt proceeds	-	-	500,000	-	500,000
Transfers in (out)	6,194	-	-	15,802	21,996
Total other financing sources (uses)	6,194	-	500,000	15,802	521,996
Net Change in Fund Balance	-	(17,817)	(290,118)	3,202	(304,733)
Fund Balance (Deficit), Beginning of Year	-	(306)	-	(15,801)	(16,107)
Fund Balance (Deficit), End of Year	\$ -	\$ (18,123)	\$ (290,118)	\$ (12,599)	\$ (320,840)

City of Valley City, North Dakota

General Operations Department

Budget to Actual

Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,299,698	\$ 1,215,500	\$ (84,198)
Licenses and permits	43,600	50,700	7,100
Intergovernmental	392,202	657,333	265,131
Fines and forfeitures	93,000	75,564	(17,436)
Miscellaneous	301,800	336,677	34,877
Total revenues	<u>2,130,300</u>	<u>2,335,774</u>	<u>205,474</u>
Expenditures			
Current			
General government	1,260,327	1,214,218	46,109
Public safety	1,850,031	1,850,631	(600)
General government - other	47,492	36,222	11,270
Culture and recreation	38,300	184,739	(146,439)
Capital outlay	61,500	8,086	53,414
Total expenditures	<u>3,257,650</u>	<u>3,293,896</u>	<u>(36,246)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,127,350)	(958,122)	169,228
Other Financing Sources (Uses)			
Transfers in	1,373,600	1,373,600	-
Transfers out	(431,950)	(425,818)	6,132
Total other financing sources and uses	<u>941,650</u>	<u>947,782</u>	<u>6,132</u>
Net Change in Fund Balance	<u>\$ (185,700)</u>	(10,340)	<u>\$ 175,360</u>
Fund Balance, Beginning		<u>1,388,636</u>	
Fund Balance, Ending		<u>\$ 1,378,296</u>	

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
Expenditures			
General Government			
Council and mayor			
Salaries	\$ 58,847	\$ 59,143	\$ (296)
Miscellaneous expenditures	9,780	7,469	2,311
	<u>68,627</u>	<u>66,612</u>	<u>2,015</u>
Municipal court			
Salaries	100,878	88,988	11,890
Legal	4,000	418	3,582
Miscellaneous expense	17,200	12,160	5,040
	<u>122,078</u>	<u>101,566</u>	<u>20,512</u>
Assessor			
Salaries	118,781	108,423	10,358
Travel	1,400	2,793	(1,393)
Miscellaneous expense	146,395	125,055	21,340
	<u>266,576</u>	<u>236,271</u>	<u>30,305</u>
Auditor & City Administrator			
Salaries	290,307	291,077	(770)
Travel	3,800	2,355	1,445
Office supplies	2,700	1,589	1,111
Operating expenditures	14,475	14,919	(444)
	<u>311,282</u>	<u>309,940</u>	<u>1,342</u>
Attorney			
Salaries and legal	56,796	63,005	(6,209)
Operating expenditures	6,430	3,166	3,264
	<u>63,226</u>	<u>66,171</u>	<u>(2,945)</u>

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
City Buildings			
Utilities	33,600	28,275	5,325
Operating expense	27,136	22,867	4,269
Repairs and maintenance	7,800	6,662	1,138
	<u>68,536</u>	<u>57,804</u>	<u>10,732</u>
Nondepartmental			
Blue Cross premium	293,442	285,337	8,105
Insurance	13,510	14,835	(1,325)
Audit	17,000	14,750	2,250
Miscellaneous	36,050	60,932	(24,882)
	<u>360,002</u>	<u>375,854</u>	<u>(15,852)</u>
Total general government	<u>1,260,327</u>	<u>1,214,218</u>	<u>46,109</u>
Public Safety			
Police department			
Salaries	1,090,425	1,083,230	7,195
Investigation	16,000	16,000	-
Employee pension	98,082	95,078	3,004
Insurance	23,010	19,033	3,977
Operating expenditures	130,019	156,921	(26,902)
Building upkeep	3,000	3,285	(285)
Capital outlay	4,000	2,324	1,676
	<u>1,364,536</u>	<u>1,375,871</u>	<u>(11,335)</u>
Fire department			
Salaries	355,731	358,231	(2,500)
Insurance	6,650	7,477	(827)
Operating expenditures	89,300	75,496	13,804
Building upkeep	4,800	3,524	1,276
Capital outlay	7,500	4,342	3,158
	<u>463,981</u>	<u>449,070</u>	<u>14,911</u>
Civil defense			
Operating expenditures	<u>2,000</u>	<u>1,342</u>	<u>658</u>
Health	<u>31,014</u>	<u>31,014</u>	<u>-</u>
Total public safety	<u>1,861,531</u>	<u>1,857,297</u>	<u>4,234</u>

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
General Government - Other			
Planning and zoning	15,000	3,785	11,215
Community programs	27,000	27,000	-
Capital outlay	50,000	1,420	48,580
Miscellaneous	5,492	5,437	55
	<u>97,492</u>	<u>37,642</u>	<u>59,850</u>
Total general government - other			
Culture and Recreation			
Recreation center			
Operating expenditures	18,300	18,265	35
	<u>18,300</u>	<u>18,265</u>	<u>35</u>
Auditorium/Armory			
Management fee	20,000	20,000	-
	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Park District			
State Aid	-	145,896	(145,896)
	<u>-</u>	<u>145,896</u>	<u>(145,896)</u>
Total culture and recreation	38,300	184,739	(146,439)
	<u>38,300</u>	<u>184,739</u>	<u>(146,439)</u>
Total expenditures	<u>\$ 3,257,650</u>	<u>\$ 3,293,896</u>	<u>\$ (36,246)</u>

City of Valley City, North Dakota
Electric Fund – Combining Department Statement of Net Position
Year Ended December 31, 2022

	Electric	Reserve for Large Capital Projects	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,274,774	\$ 709,340	\$ 3,984,114
Accounts receivable - net			
Accounts	548,058	-	548,058
Accrued interest	3,389	-	3,389
Unbilled revenues	352,258	-	352,258
Leases	-	-	-
Inventories	1,403,132	-	1,403,132
Prepaid expenses	28,731	-	28,731
Total current assets	<u>5,610,342</u>	<u>709,340</u>	<u>6,319,682</u>
Capital assets			
Land	114,385	-	114,385
Construction in progress	741,198	436,835	1,178,033
Buildings and improvements	590,795	-	590,795
Machinery and equipment	5,279,502	-	5,279,502
Mains and lines	13,982,157	-	13,982,157
Right of use leased asset	23,399	-	23,399
Less accumulated depreciation/amortization	<u>(16,244,902)</u>	<u>-</u>	<u>(16,244,902)</u>
Net capital assets	<u>4,486,534</u>	<u>436,835</u>	<u>4,923,369</u>
Unearned debits	<u>-</u>	<u>-</u>	<u>-</u>
Restricted cash	<u>66,337</u>	<u>-</u>	<u>66,337</u>
Total assets	<u>10,163,213</u>	<u>1,146,175</u>	<u>11,309,388</u>
Liabilities			
Current liabilities			
Accounts payable	579,413	-	579,413
Accrued interest payable	-	-	-
Customer deposits	66,337	-	66,337
Other liabilities	2,884	687,869	690,753
Current maturities of long-term debt	<u>393,903</u>	<u>-</u>	<u>393,903</u>
Total current liabilities	<u>1,042,537</u>	<u>687,869</u>	<u>1,730,406</u>
Long-term debt (net of current portion)			
Bonds payable	-	-	-
Lease liability	<u>9,880</u>	<u>-</u>	<u>9,880</u>
Total long-term debt	<u>9,880</u>	<u>-</u>	<u>9,880</u>
Total liabilities	<u>1,052,417</u>	<u>687,869</u>	<u>1,740,286</u>
Deferred Inflows of Resources			
Leases	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	4,469,847	436,835	4,906,682
Restricted	-	-	-
Unrestricted	<u>4,640,949</u>	<u>21,471</u>	<u>4,662,420</u>
Total net position	<u>\$ 9,110,796</u>	<u>\$ 458,306</u>	<u>\$ 9,569,102</u>

City of Valley City, North Dakota

Electric Fund – Combining Department Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

	Electric	Reserve for Large Capital Projects	Total
Operating Revenues			
Utility sales and service charges	\$ 7,920,566	\$ -	\$ 7,920,566
Forfeited discounts and penalties	11,654	-	11,654
Landfill fees	-	-	-
Total operating revenues	7,932,220		7,932,220
Operating Expenses			
Production and pumping	62,018	-	62,018
Cost of power	4,206,866	-	4,206,866
Distribution expense	475,582	-	475,582
Landfill and collections	-	-	-
Customer accounts	33,438	-	33,438
Customer service and information	1,569	-	1,569
Administration and general	633,463	-	633,463
Depreciation	605,941	-	605,941
Costs of services contributed to city	70,892	-	70,892
Total operating expenses	6,089,769		6,089,769
Operating Income (Loss)	1,842,451		1,842,451
Nonoperating Revenues (Expenses)			
Net merchandising revenue			
gross revenue of \$158,444	59,464	-	59,464
Interest income	43,014	-	43,014
Total nonoperating revenues (expenses)	102,478		102,478
Income (Loss) Before Transfers	1,944,929	-	1,944,929
Transfers in (out)	(1,517,254)	-	(1,517,254)
Change in Net Position	427,675		427,675
Net Position, Beginning of Year, as restated per Note 13	8,683,121	458,306	9,141,427
Net Position, End of Year	\$ 9,110,796	\$ 458,306	\$ 9,569,102



Additional Reports
December 31, 2022

City of Valley City, North Dakota



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Commissioners
City of Valley City, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Valley City, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Valley City's basic financial statements and have issued our report thereon dated October 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Valley City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Valley City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Valley City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Valley City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Valley City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Valley City's response to the findings identified in our audit and described in the accompanying Schedule of Findings. City of Valley City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
October 2, 2023

**2022-001 Material Journal Entries including Restatement
Material Weakness**

Criteria – A good system of internal control contemplates an adequate system for recording and processing material journal entries including a restatement to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustment including a restatement, which would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause – The City does not have an internal control system designed to identify all necessary adjustments, including a restatement.

Effect – This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels.

View of Responsible Officials – Management of the City is in agreement with the finding.

2022-002 Preparation of Financial Statements
Material Weakness

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This included formulating the proposal of necessary adjusting journal entries to convert the fund financial statements in accordance with GASB Statement No. 34, GASB Statement No. 68, GASB Statement No. 75, and GASB Statement No. 87.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials – Due to cost constraints, the City will continue to have the auditor's draft the financial statements and accompanying notes to the financial statements.

2022-003 Segregation of Duties Over Accounts Payable Vendor Set Up Process
Significant Deficiency

Condition – The City does not adequately segregate duties in accounts payable vendor set up and payment initiation.

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the accounts payable functions.

Effect – Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause – Individuals with access to set up new vendors can also initiate accounts payable check payments.

Recommendation –The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.